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Director of Central Intelligence

NATIONAL INTELLIGENCE DAILY

Tuesday, 24 October 1989



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USSR:

Shevardnadze's Address to Supreme Soviet

In his first formal report to the newly empowered Supreme Soviet yesterday, Foreign Minister Shevardnadze underscored the centrality of US-Soviet relations and arms control, termed the Krasnoyarsk radar an open violation of the ABM Treaty, and implicitly renounced the Brezhnev Doctrine. b3

Shevardnadze claimed a "new level" of mutual understanding and good will has been reached in US-Soviet relations. He admitted that construction of the radar at Krasnoyarsk had violated the ABM Treaty—the first such official acknowledgment—reconfirmed Moscow's intention to dismantle it, and asserted that this action "saves" the ABM Treaty and clears the way for further reductions in strategic arms. Shevardnadze asserted that the USSR now has the right to ask to inspect US radars at Thule and Fylingdales to determine if they comply with the treaty, but he did not reiterate Moscow's position that both sides must adhere to the narrow interpretation of the ABM Treaty as a condition for observance of any START agreement. b3

On Eastern Europe, Shevardnadze echoed President Gorbachev's position on the inadmissibility of interference in the internal affairs of other Bloc countries and the right of every country to "absolute freedom of choice." He stated that the emergence of "new alternative forces" in the political life of some East European countries does not mean they are no longer allies and friends of the USSR. Shevardnadze acknowledged current problems in Soviet-East European relations, but denied there is a "crisis." b3

Comment: Shevardnadze portrayed US-Soviet relations as the central foreign policy issue in Moscow's view and indicated that, in light of the recent Wyoming ministerial, the Soviet leadership is satisfied with the way relations with the new US administration are developing. By acknowledging before the Supreme Soviet that the Krasnoyarsk radar violated the ABM Treaty, Shevardnadze was implicitly repeating his earlier calls for close legislative oversight to ensure consistency between military decisions and arms control agreements. b3

On other arms control issues, Shevardnadze explicitly acknowledged criticism of Gorbachev's initiatives, which he defended as having enhanced Moscow's international credibility and enabled resources to be shifted to meet more pressing public needs. Shevardnadze's assertion that no "crisis" exists in Eastern Europe suggests there also may be some criticism of Gorbachev's tack in that region. b3

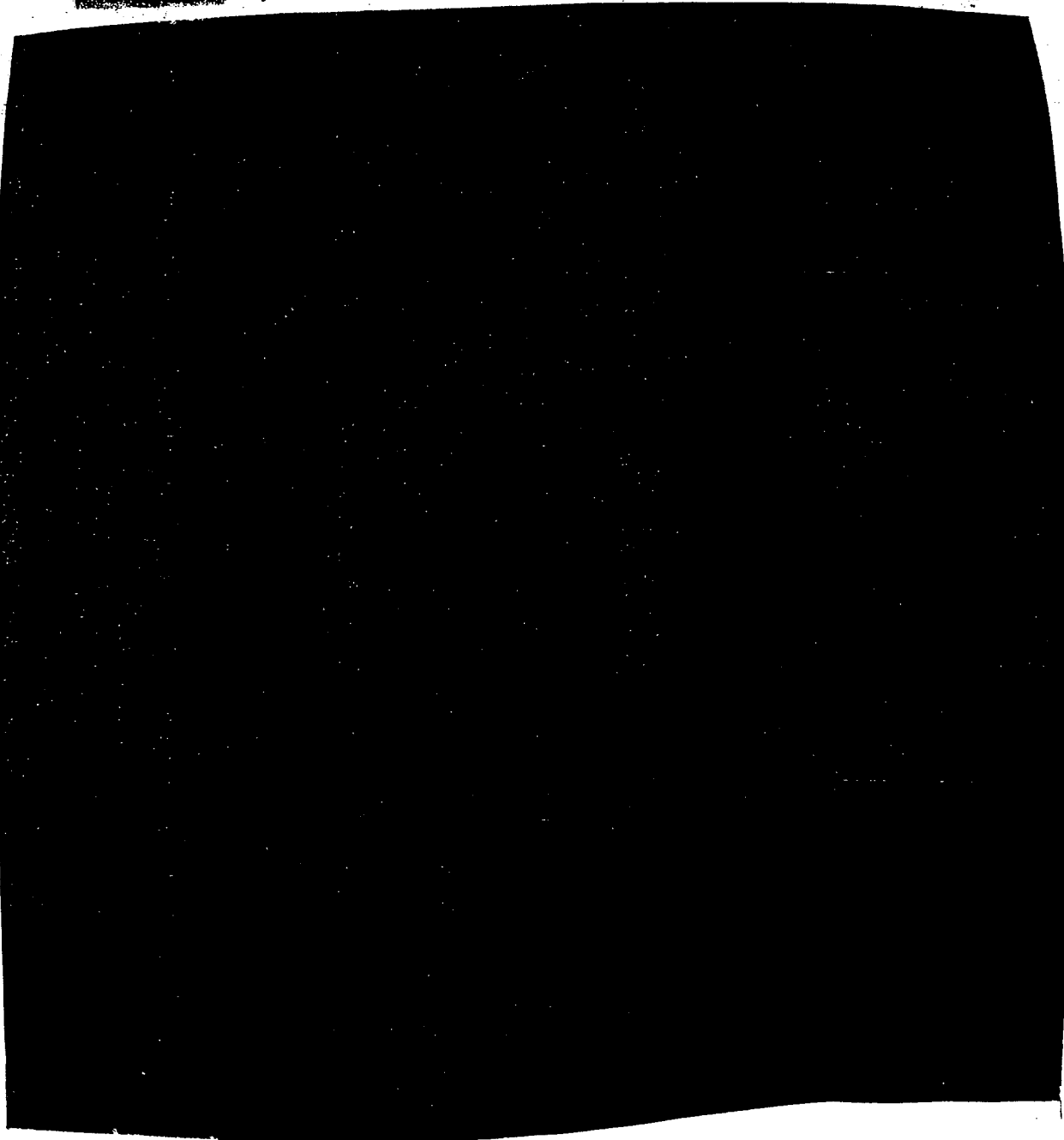
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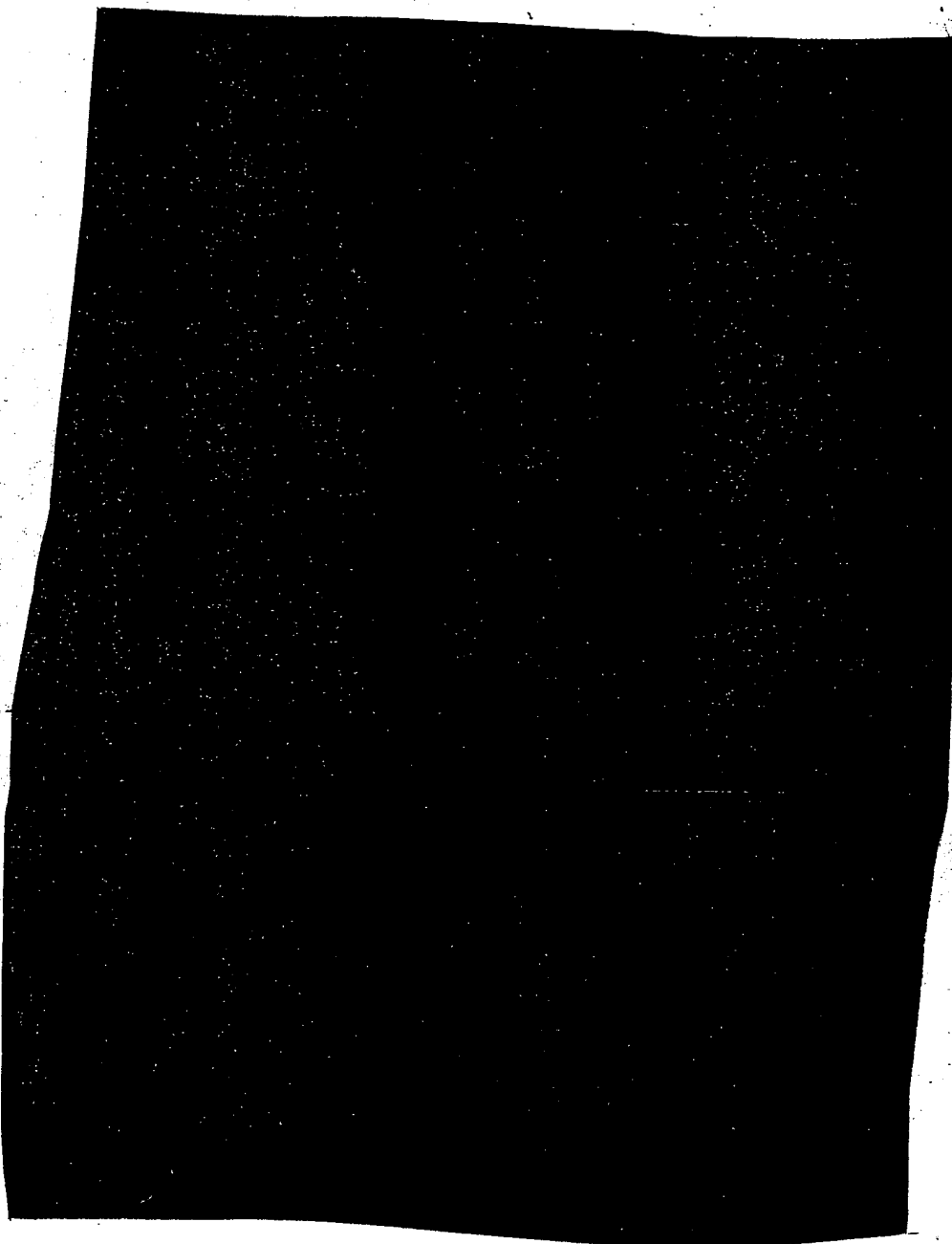
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ETHIOPIA:

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LEBANON:

Discord Over Ta'if Agreement

Christian Prime Minister Awn and other key Lebanese leaders over the weekend rejected the agreement reached by Lebanese legislators at Ta'if, Saudi Arabia. b3

Despite the legislators' overwhelming support for the accord, most of the leaders of Lebanon's Muslim and Christian factions have not endorsed it.

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Saudi King Fahd [REDACTED] will address the legislators today at the final session of the talks. Since Awn's meetings with Arab League envoys [REDACTED] went badly, the legislators will remain in Saudi Arabia until the end of this week. If Awn permits, the next step is to assemble the Lebanese legislature in the Mansour Palace in East Beirut within the next few weeks to elect a president. If Awn does not cooperate, the legislators may attempt to hold the election in the parliamentary palace in West Beirut.

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[REDACTED] Awn is likely to try to intimidate the returning Christian legislators into repudiating the Ta'if talks. In addition, he may renew his earlier campaign of shelling West Beirut, a development that would risk provoking Christian infighting. b3

Syrian President Assad probably will force Barri and Junblatt to accept the accord. Damascus is sympathetic to their demand for greater Muslim power and probably believes their criticism promotes the illusion that they are not Syrian puppets, but Assad will limit their opposition so that Awn will remain in the spotlight as the main obstacle to peace. Assad's primary concern of stabilizing the situation in Lebanon will create new strains in relations with his Lebanese Muslim allies, and possibly also with Iran. [REDACTED] b3

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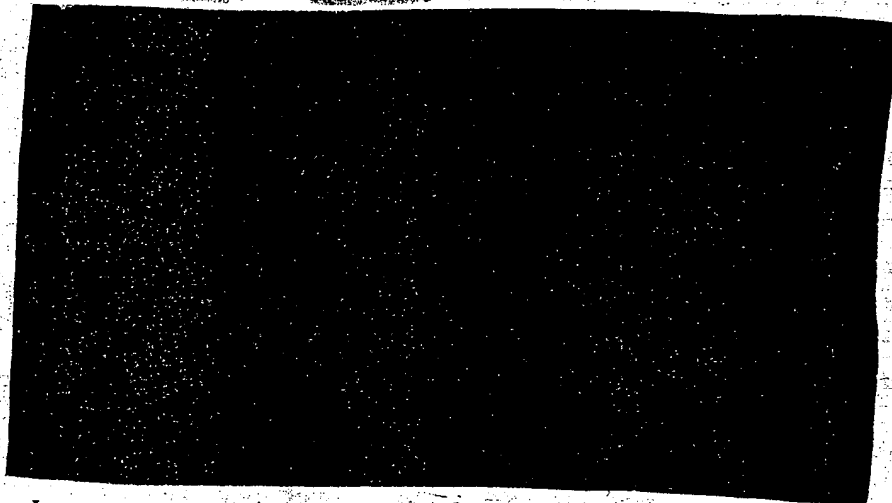
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IRAN:

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In a press conference yesterday, Rafsanjani reiterated Iran's standard conditions for movement on the hostage issue, including release of US-held Iranian assets and the release of Iranian hostages allegedly held by Lebanese Christians and of Lebanese Muslims held by Israel.

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Comment:

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The hard line Rafsanjani took toward the West yesterday indicates he has not achieved a domestic consensus for the hostages' release and may indicate he is already backing away from any initiative

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Hizballah leaders have not indicated they accept Iranian terms for releasing the hostages. Neither Iran nor the hostage holders are likely to relax their conditions at a time when the Ta'if negotiations seem to be working against Hizballah's and Iran's interests. They would want to avoid giving the impression of dealing with the hostage issue from a position of weakness.

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PAKISTAN:

Bhutto Facing No-Confidence Vote

Opposition parties in the National Assembly yesterday called for a vote of no confidence, claiming they have enough support to bring down Prime Minister Bhutto's 11-month-old government. b3

The opposition said it would present the no-confidence motion today or tomorrow and that it has the support of 129 of the 237 house members. The parties of the Combined Opposition claim they have gained the backing of some of the 14 members of the Muhajir Quami Movement (MQM), an independent party from Bhutto's home province of Sind that forms part of her coalition; MQM leaders told reporters they would back the no-confidence motion. The opposition also claims it has lured some dissident members of Bhutto's Pakistan People's Party (PPP) away from supporting the government. b3

b1 b3 [redacted] the PPP said 145 members still support Bhutto, as of last week, that she controlled only 16 votes more than the 119 required to stay in power; she had a margin of 29 votes last December. The Pakistani Constitution stipulates that a vote of no confidence must be held no earlier than three days after the motion is offered and no later than seven. b3

b3 [redacted] Bhutto's support is increasingly fluid, but she probably can still win the vote by a narrow margin. The three-day cooling-off period gives Bhutto an opportunity to solidify her support. Her survival will depend on her ability to deliver on promises she made to her coalition partners last December. Although the MQM is increasingly disappointed with Bhutto, some Muhajirs probably would stick with the coalition because for now it offers them the best protection against possible Sindhi reprisals. b3

The Combined Opposition is gambling that, by announcing it has enough support to oust Bhutto, it can attract the additional votes it needs through promises of favoritism under a new government. If Bhutto loses, President Ghulam Ishaq Khan would either appoint a prime minister from the new majority party or, if the party could not form a new government, dissolve the National Assembly and call for general elections. b3

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b3 AFGHANISTAN:



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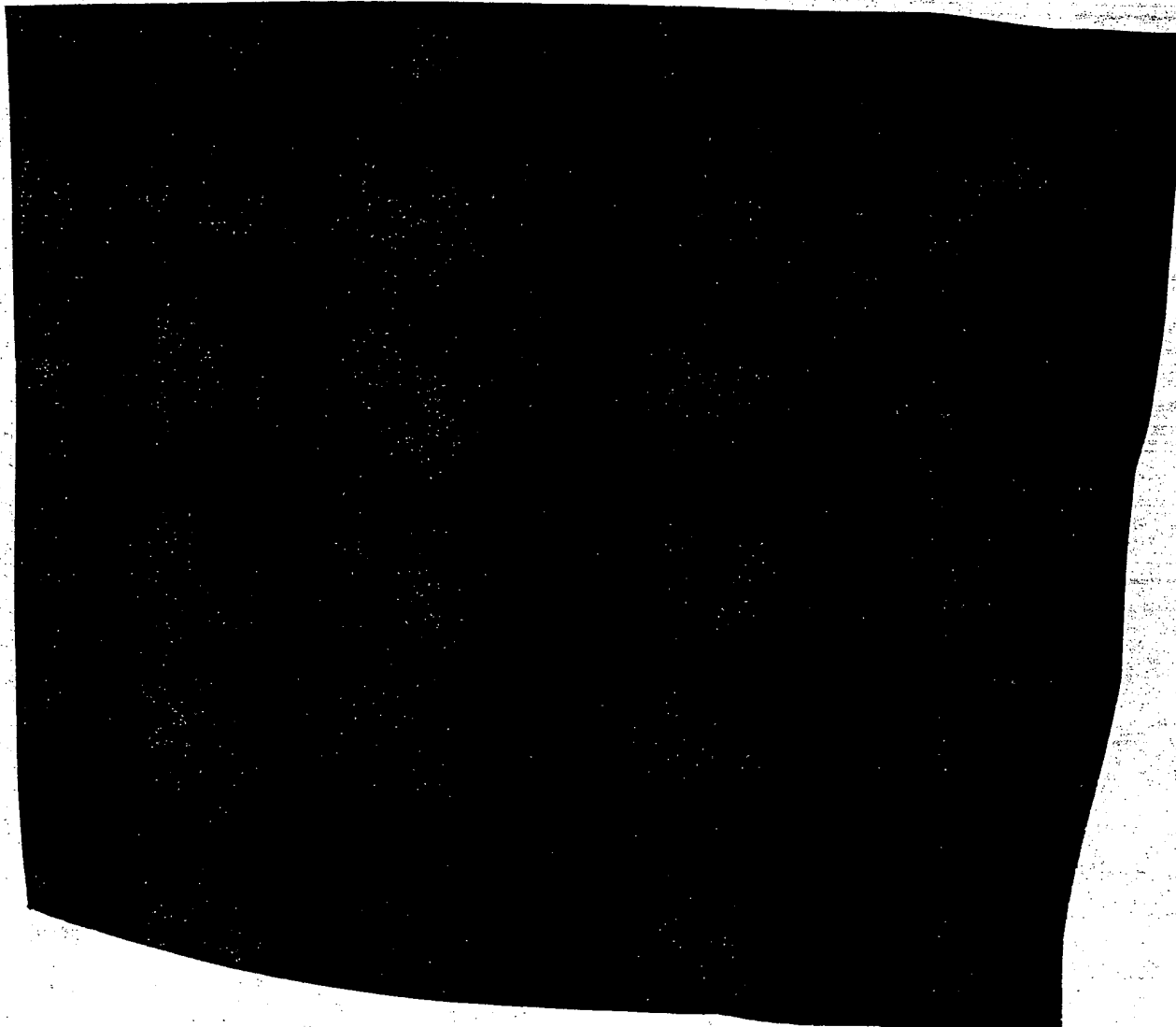
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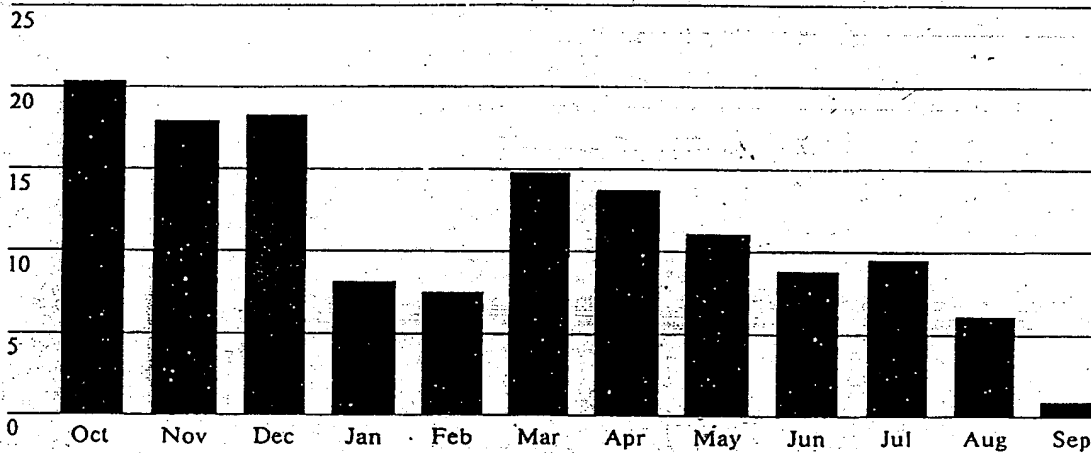
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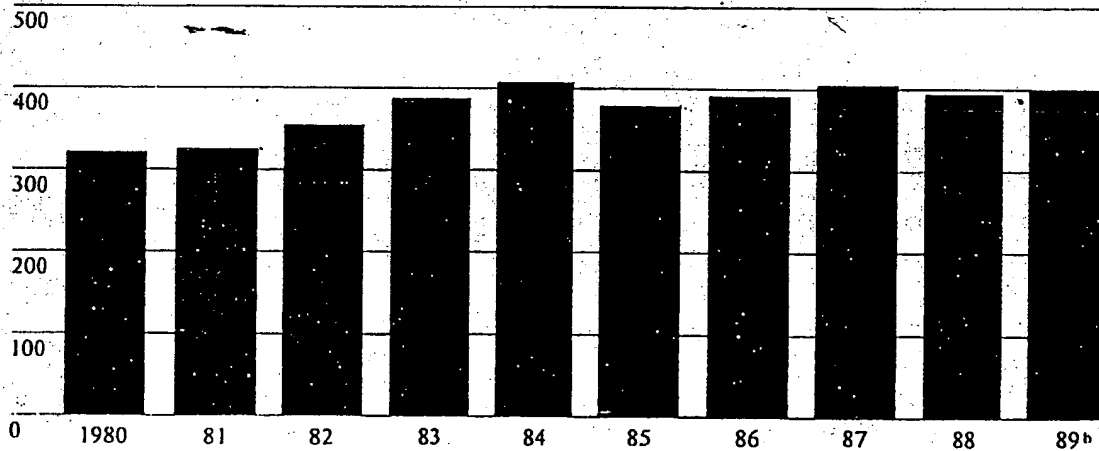
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~~Top Secret~~ b3**China: Economic Indicators****Average Annual Increase in Industrial Output***

Percent

**Annual Grain Production**

Million metric tons



* Annual growth rates calculated by comparing monthly production with output in same period of previous year.

^b Chinese estimate.

Source: Official Chinese statistics.

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CHINA:

Economic Slowdown Intensifying Policy Debate

Recently released figures indicating China's economy is running aground will add fuel to the already contentious debate about economic policy on the eve of an important conference. b3

The State Statistical Bureau last week said industrial production grew at less than a 1-percent annual rate last month, as compared with a 17-percent increase in 1988. Growth in China's light industries reportedly fell for the first time in a decade. Beijing also predicted that grain production would increase less than 2 percent to 400 million metric tons this year, 10 million tons short of its target. b3



b3 Reformers probably will use the unexpectedly sharp drop in industrial production to water down the proposed three-year retrenchment program that hardliners hope to win endorsement for at the Central Committee plenum expected to convene within weeks. Beijing apparently is already easing credit restraints: b3
China's Central Bank has issued a special short-term loan equivalent to \$5.4 billion to help financially strapped provinces purchase the fall harvest. Beijing also has announced that bank credit issued in the fourth quarter will surpass total loans disbursed through the first nine months of this year. b3

Hardliners will use the disappointing harvest, the fifth in a row, to press for tighter controls in agriculture. Beijing has already prohibited all private enterprises from buying or selling grain, and many localities may reimpose rationing for pork because rising feed costs are forcing farmers to slaughter their livestock and are likely to result in shortages next year. The Central Committee plenum almost certainly will endorse closing thousands of rural enterprises to free resources for struggling state factories, but Beijing will continue to face resistance from local officials in trying to carry out such a policy. b3

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~~Top Secret~~ b3**USSR: Law on Republic Economic Autonomy Rejected**

The Supreme Soviet's rejection of the draft law on the principles of regional economic autonomy last week sets back Moscow's effort to achieve agreed-upon limits to the reform of the federal structure. Supreme Soviet deputies said the draft did not go far enough in granting economic independence to the republics and conflicted with the draft law on Lithuanian and Estonian economic autonomy that the Supreme Soviet had already approved in principle. The Council of Ministers was told to present a new draft by 15 November. [REDACTED] b3

Comment: The rejected measure, a repackaged version of the national draft principles published in March, would have given the republics limited control over agriculture, local industry, and infrastructure, while Moscow would retain control over basic industries and fiscal policy. The draft principles have been opposed by the Baltic republics, which want full control over their economy and natural resources, and have come under increasing attack from other independence-minded groups. Moscow is hesitant to make further major concessions and will find it hard to compromise. The issue of Moscow's authority versus the economic rights of the republics is also holding up review of a package of interrelated draft laws on property rights, land use, and local government. [REDACTED] b3

USSR: Gorbachev Resurrects Main Military Council

The USSR for the first time has publicly acknowledged a meeting of its Main Military Council (MMC). It apparently has not been active since Nikita Khrushchev's time, when Oleg Penkovskiy referred to it and the Defense Council as a party-military body that decided military policy. [REDACTED] Politburo members, other senior party officials, and representatives of the defense industry met with President Gorbachev and senior Defense Ministry officials last week. During his visit to the US this month, Defense Minister Yazov claimed the MMC meets once a year to review the strategic development of the armed forces. [REDACTED] b3

Comment: Gorbachev has criticized decisionmaking under his predecessors as ad hoc and not informed; he has pledged to reorder the participating institutions and regularize meetings in an effort to increase the flow of information and ideas and to make policy decisions more innovative and comprehensive. He has already revitalized the Defense Council, calling it the hub of national security decisionmaking. Yazov's statement [REDACTED] indicate the MMC may also have been revived, if only to meet annually. Gorbachev probably intends to use such sessions to review developments in the armed forces, announce doctrinal guidelines, and devise programs for the coming year. Yazov and his deputies and the commanders of military districts and of groups of forces and fleets are probably among the Council's members. [REDACTED] b3

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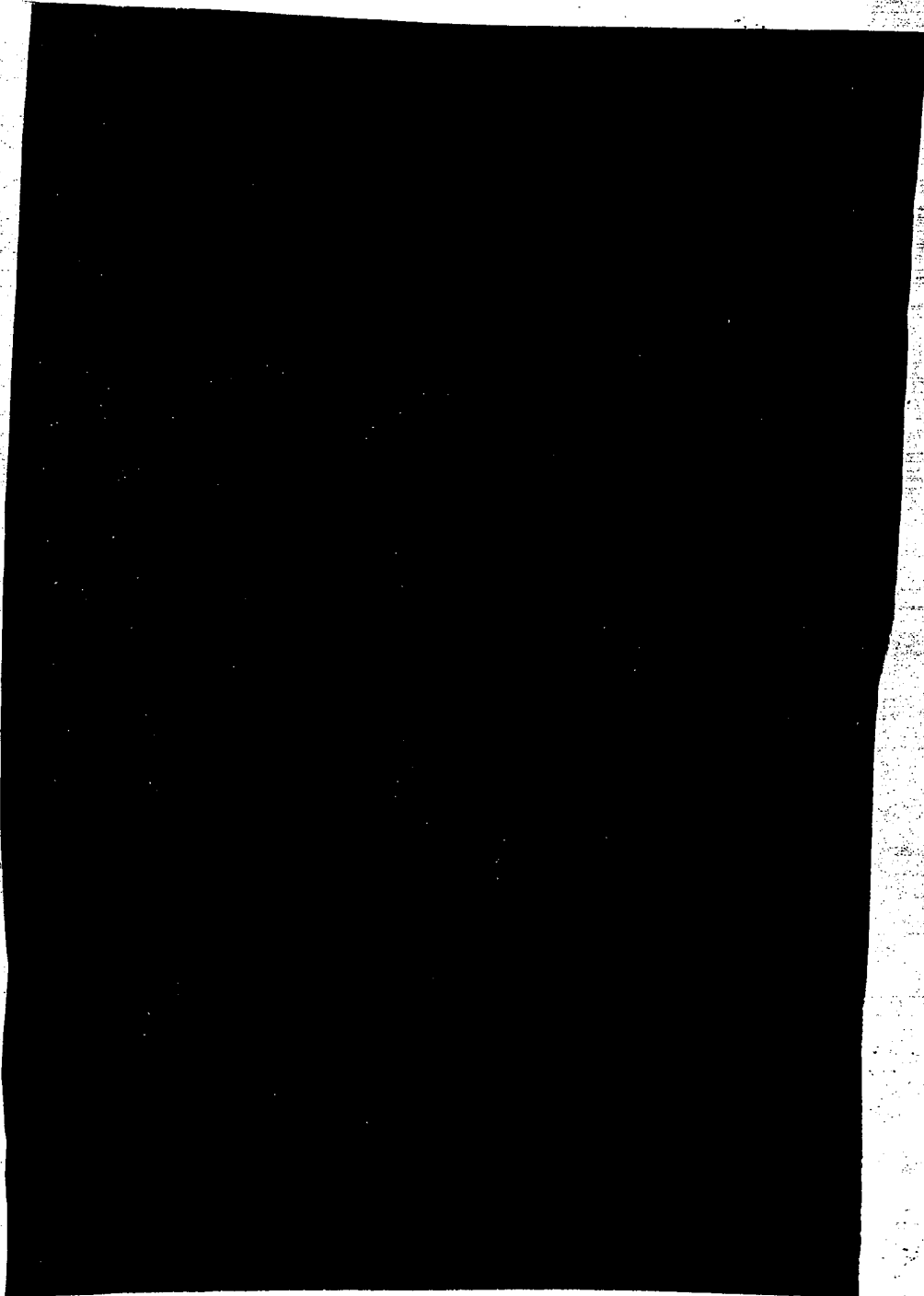
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In Brief

East Asia

[REDACTED] b1 b3

— South Korean ruling-party legislator, under pressure to resign for role in suppressing Kwangju uprising in 1980, trying to implicate President Roh ... says he gave command to Roh before crackdown ... will bolster opposition attacks on Roh. [REDACTED] b3

b3 — [REDACTED] US workers in Papua New Guinea increasingly concerned for their safety ... violent crime, civil unrest rising, police response limited ... exodus would halt important education, humanitarian programs. [REDACTED]

USSR

— Soviet media report coal miners on strike in Arctic Vorkuta, 12 nearby sites to join tomorrow ... protesting nonfulfillment of local wage settlement, may not spread ... first test of Moscow's willingness to enforce new strike law. [REDACTED] b3

— Several Argentine Armenians peacefully occupied Aeroflot office in Buenos Aires yesterday [REDACTED] to protest USSR's Armenian policy ... Armenian diaspora, once hesitant to criticize Moscow, may start anti-Soviet campaign. [REDACTED] b3

— Partial official data [REDACTED] indicate economy this year continues to grow worse in USSR with particularly serious slump in third quarter ... industrial production sputtering, inflation growing, transportation problems especially serious. [REDACTED] b3

Europe

— Protest marches in six East German cities were staged yesterday ... as many as 300,000 may have turned out in Leipzig following weekly church service ... police again did not interfere with demonstrators. [REDACTED] b3

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Special Analysis

COLOMBIA:

Public Still Supports Antidrug Offensive

Recent government successes against the traffickers appear to be helping sustain public support for President Barco's antinarcotics campaign. Nevertheless, the psychological and economic costs of prolonged violence as well as political infighting in the campaign for next year's elections will continue to test his leadership skills.

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The Supreme Court's favorable decisions this month on the extradition of drug criminals and the seizure of their assets have given Barco's war on drugs a strong boost. Three more important traffickers were extradited to the US last week; as many as six are awaiting processing. Two others are in custody and are facing jail sentences in Colombia, while the manhunt for the drug industry's kingpins is gaining momentum.

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Colombians have demonstrated resiliency in the face of terrorist violence and intimidation by the traffickers; the public's willingness to carry on the crackdown was underscored by broad media rejection of the Medellin drug lords' recent proposal of a truce and negotiations with the government.

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Problems Ahead

As the costs of a prolonged government offensive mount, the public's commitment to the antinarcotics campaign may nonetheless begin to erode. Violence by traffickers, who have recently shown less concern about killing and injuring civilians, is already having a serious effect on tourism and nightlife in urban centers. During the past month, bombings of banks and stores as well as threats against commercial advertisers have contributed to a 30-percent drop nationally in retail activity; a prolonged economic downturn is certain to force some small firms out of business. The government's fiscal deficit is expected to exceed this year's target even though it has cut public investment and reduced scheduled raises for civil servants to finance the drug war.

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Greater efforts by traffickers to intimidate the judiciary and the media may also sap the public's confidence in Bogota's ability to prevail over the drug kingpins. The assassinations of journalists and

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the bombings of radio and newspaper offices this week have raised fears that over time may inhibit the circulation of independent news. The murder last week of a federal magistrate in Medellin, meanwhile, prompted a three-day nationwide shutdown by court employees and local judges to protest the government's inability to protect them.

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Barco's war on drugs will probably become the primary focus of national debate as candidates stake out their positions for next spring's legislative and presidential elections. A majority of political leaders from both the opposition Social Conservatives and the ruling Liberals appear to accept Barco's antidrug stance, but some—including members of his own party—advocate an accommodation with the traffickers.

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A vocal minority in the Colombian Congress, led by the Speaker of the House, has criticized Barco for his refusal to negotiate with the traffickers, and drug penetration of the legislature will remain a threat to the government's campaign. Although a recent effort to discredit Barco by publicizing the fact that his personal advisers had met with trafficker intermediaries does not seem to have caused significant damage to his image, the episode underscores the willingness of some politicians to exploit the narcotics issue for political gain.

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Outlook

Public hostility toward the traffickers, especially leaders of the ruthless Medellin cartel, remains high since the assassination of presidential frontrunner Luis Carlos Galan in August, but the depth of support for a protracted struggle against the narcotics industry is uncertain. To maintain public support over the long haul, Barco probably will need to demonstrate increasing success, including the capture and extradition of more drug lords.

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Paradoxically, political pressure to ease the confrontation with the traffickers might rise if the government apprehends its major targets, Medellin drug lords Pablo Escobar and Gonzalo Rodriguez Gacha. In any case, Washington's progress in curbing drug trafficking and consumption in the US will be key factors in enabling Barco to deflect public criticism that Colombia is paying too high a price in coping with what is viewed by many as a foreign problem.

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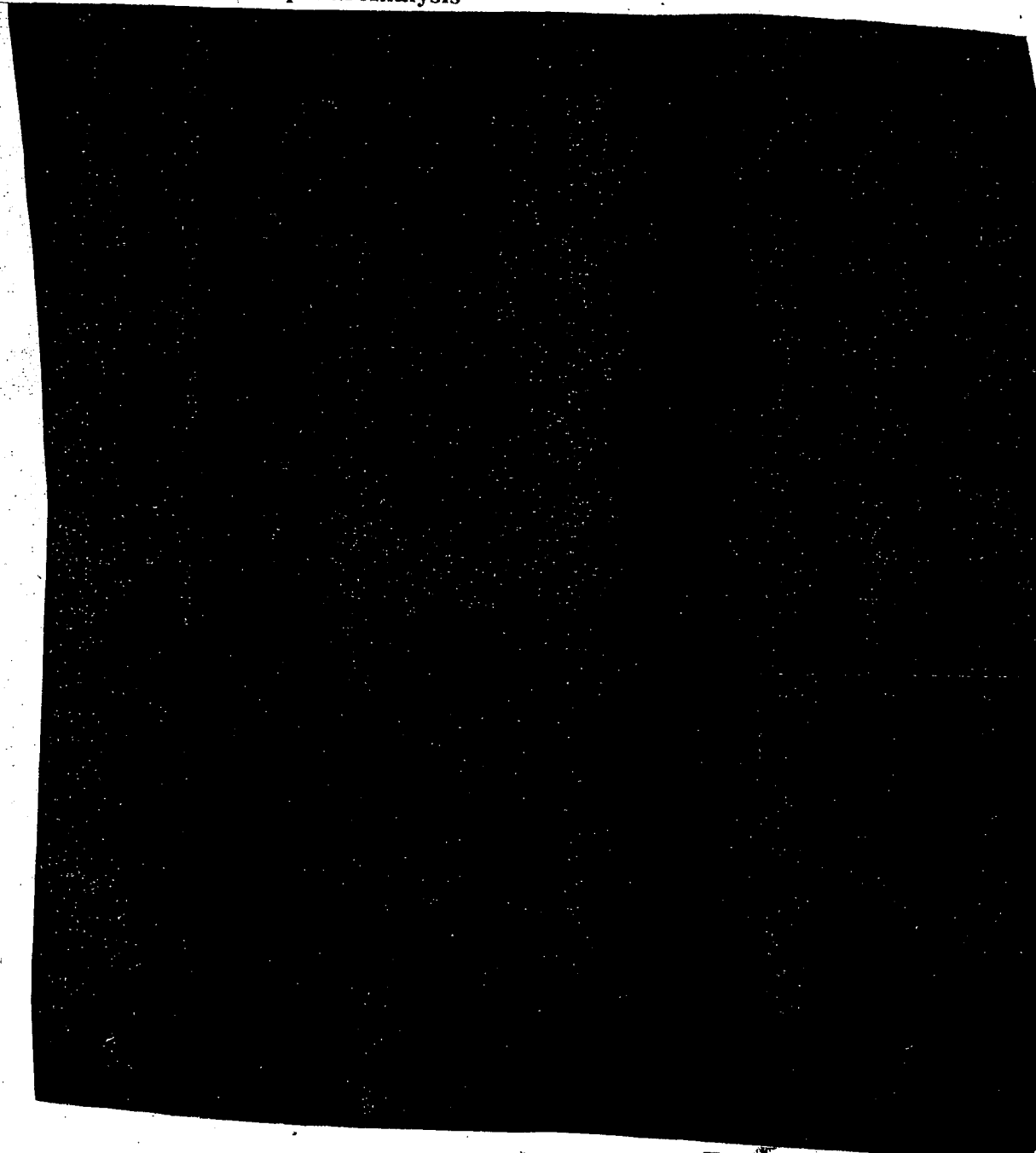
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Special Analysis



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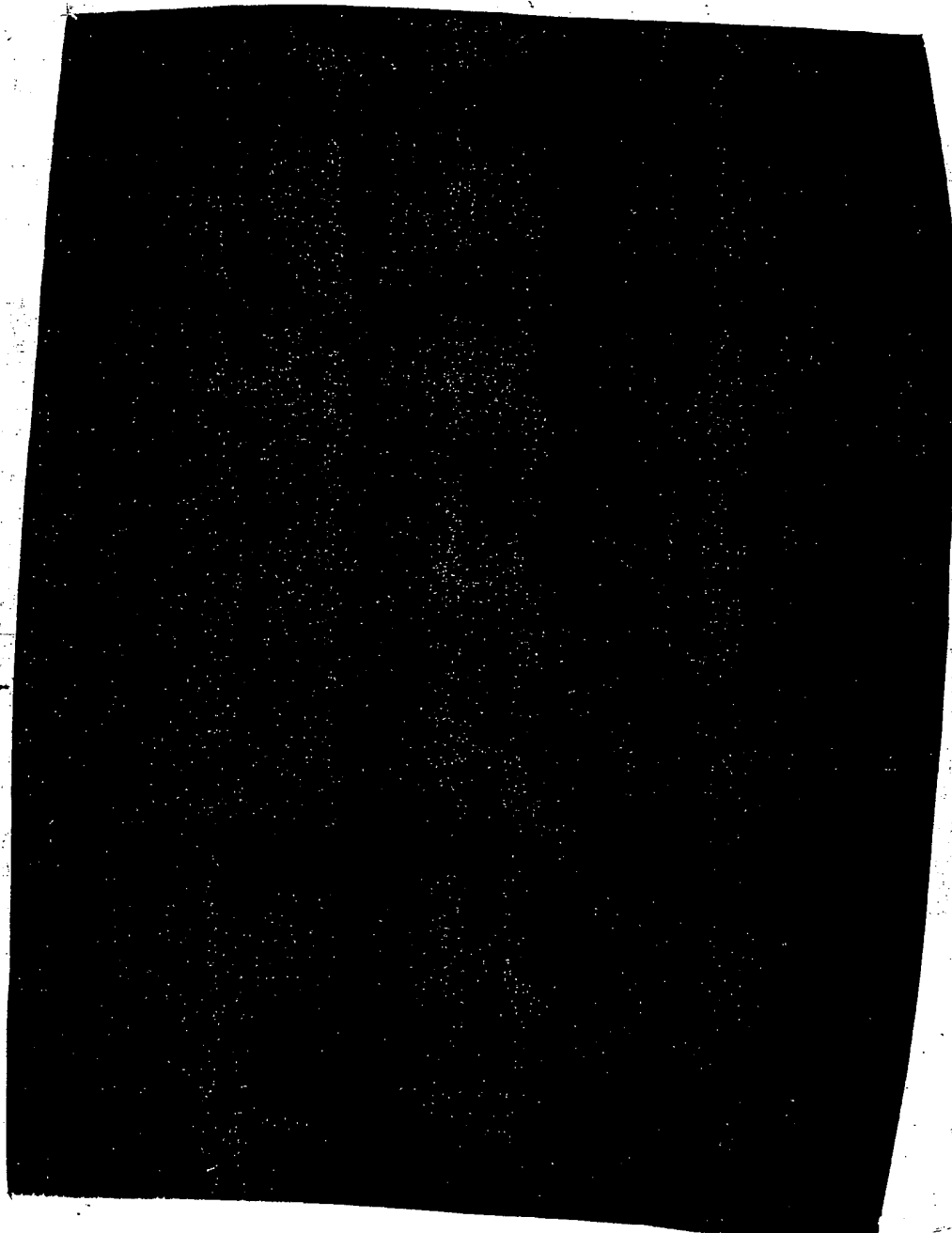
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